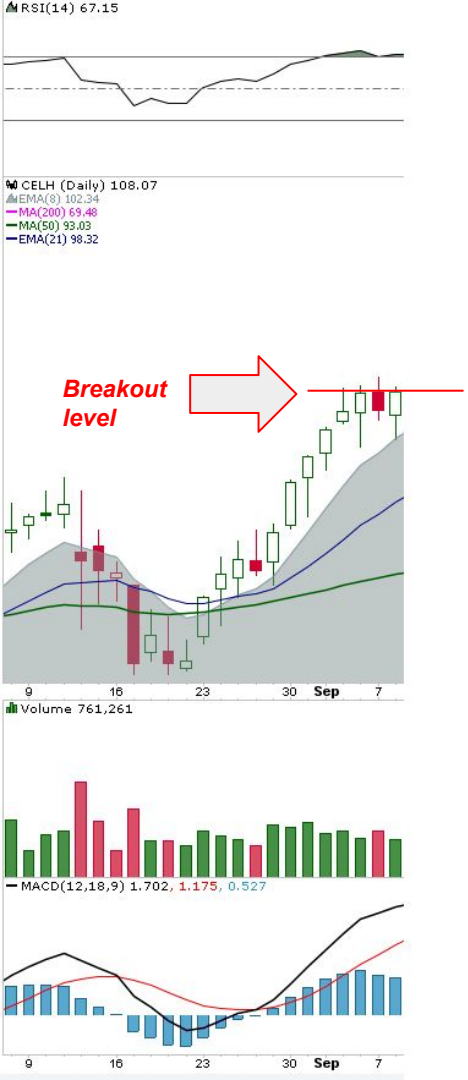
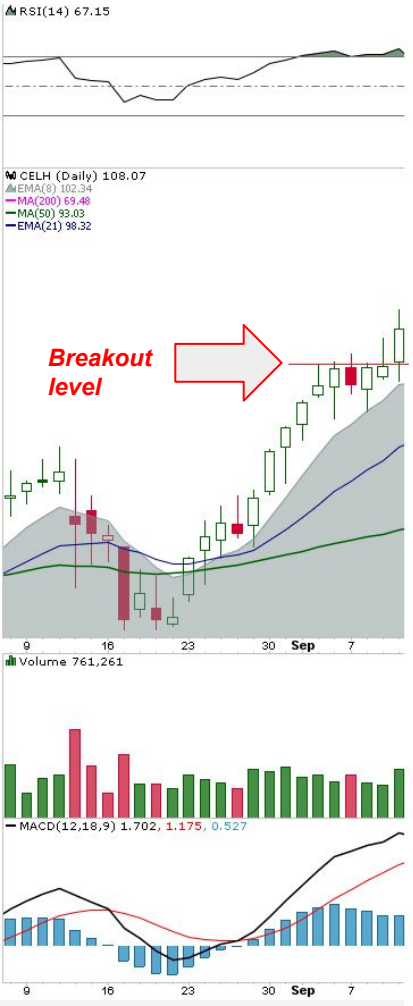


Is buying a breakout a good strategy?

Would it be an easier way to simply buy a strong trending stocks when it makes a new higher high?

Is buying a breakout a good strategy?



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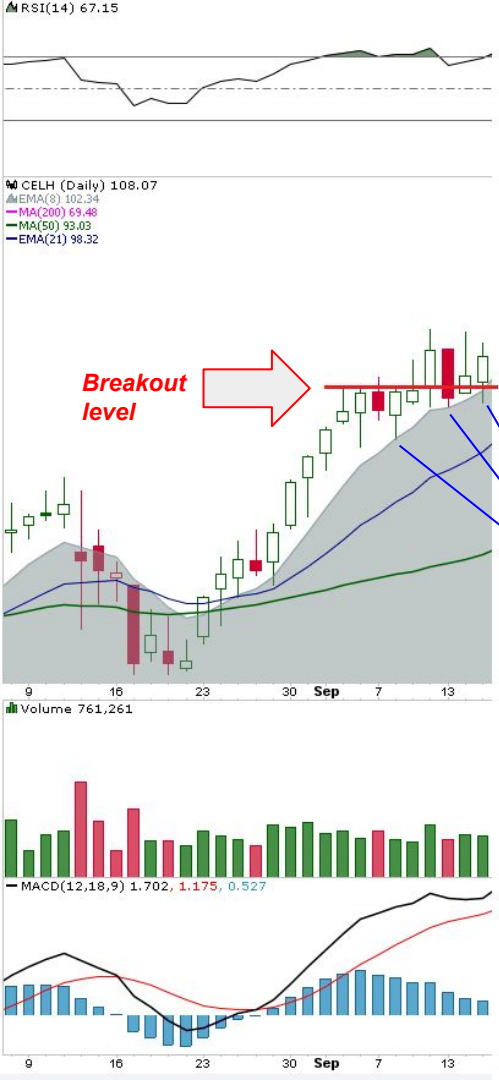
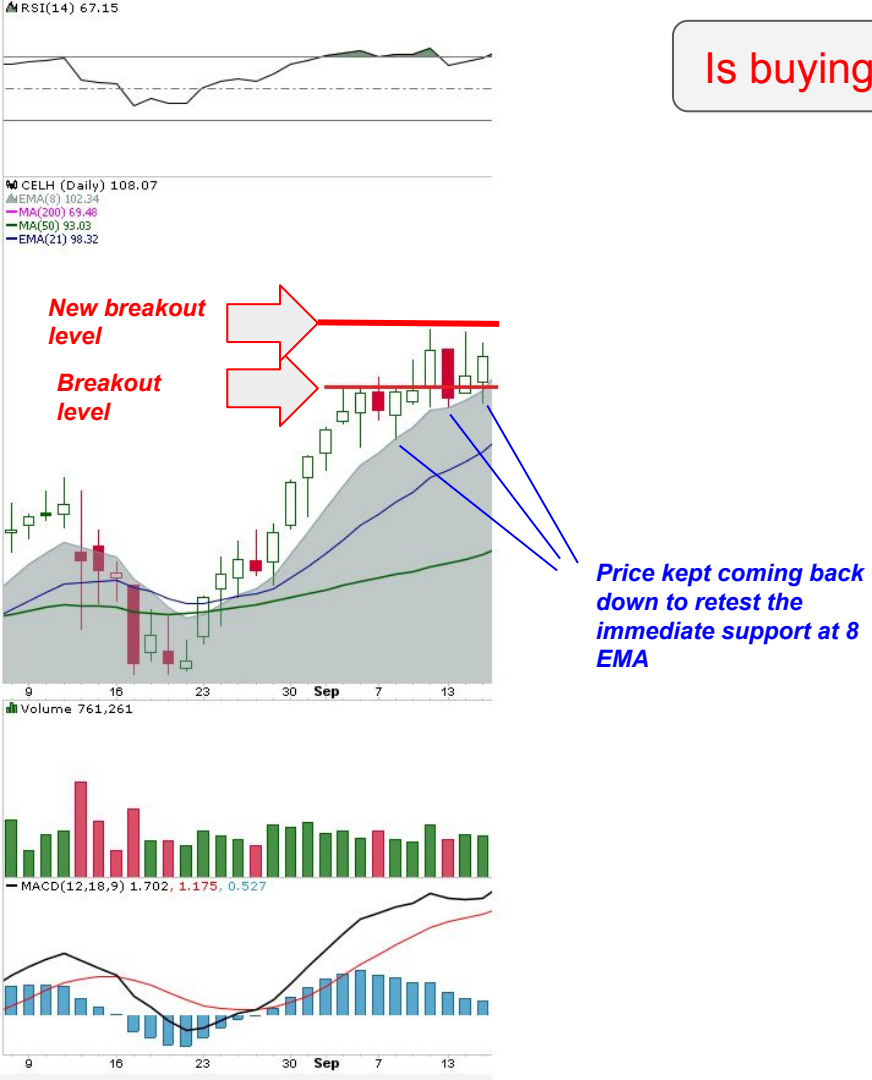
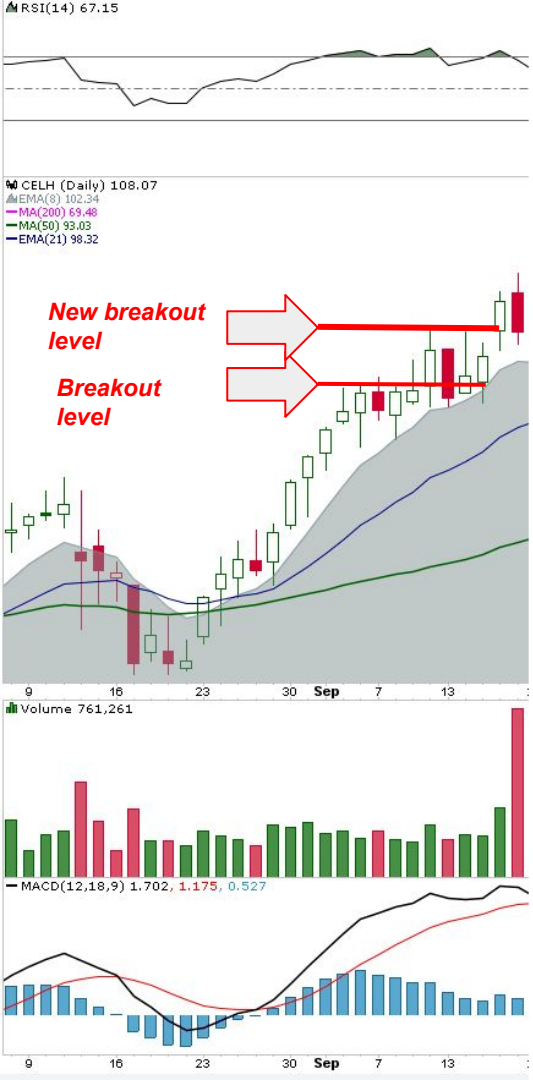


Very often after bulls manage to make a new higher high bears counterattack and push price back down to retest the immediate support

Is buying a breakout a good strategy?



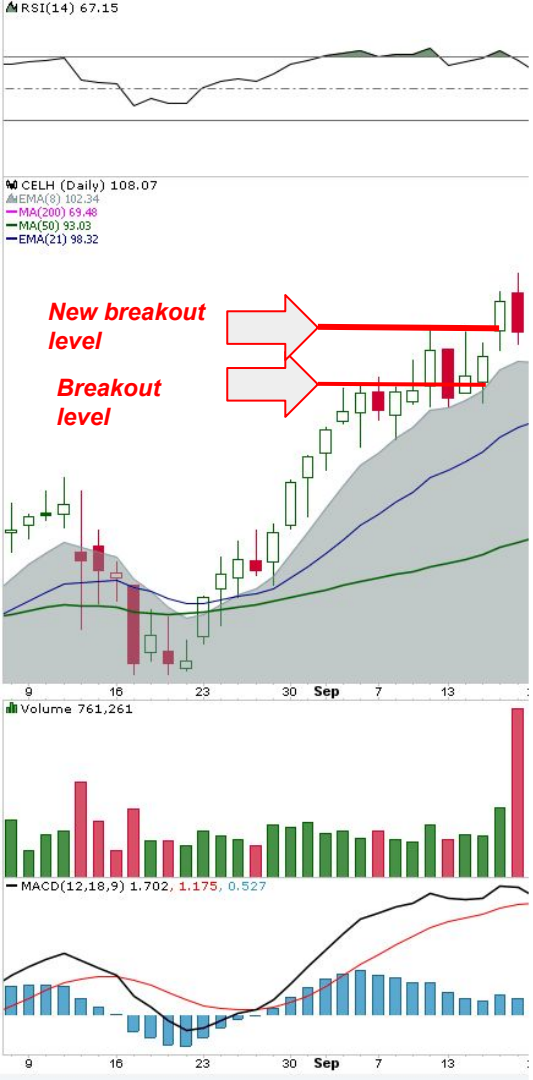
Price kept coming back down to retest the immediate support at 8 EMA



Daily close over breakout level followed by an ordinary retest of the breakout level

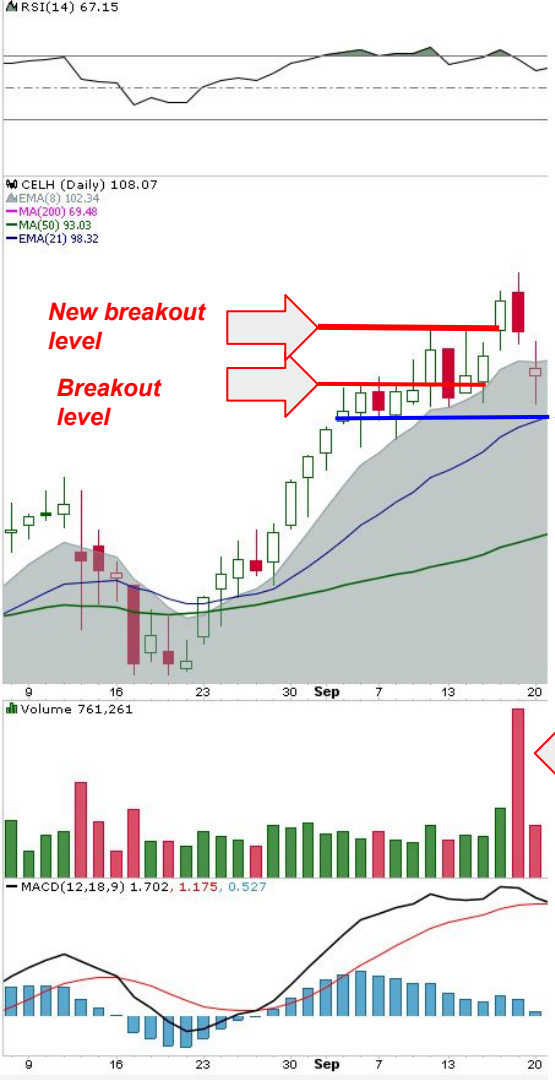
Very often after bulls manage to make a new higher high bears counterattack and push price back down to retest the immediate support.

Normally they find support at the the previous resistance



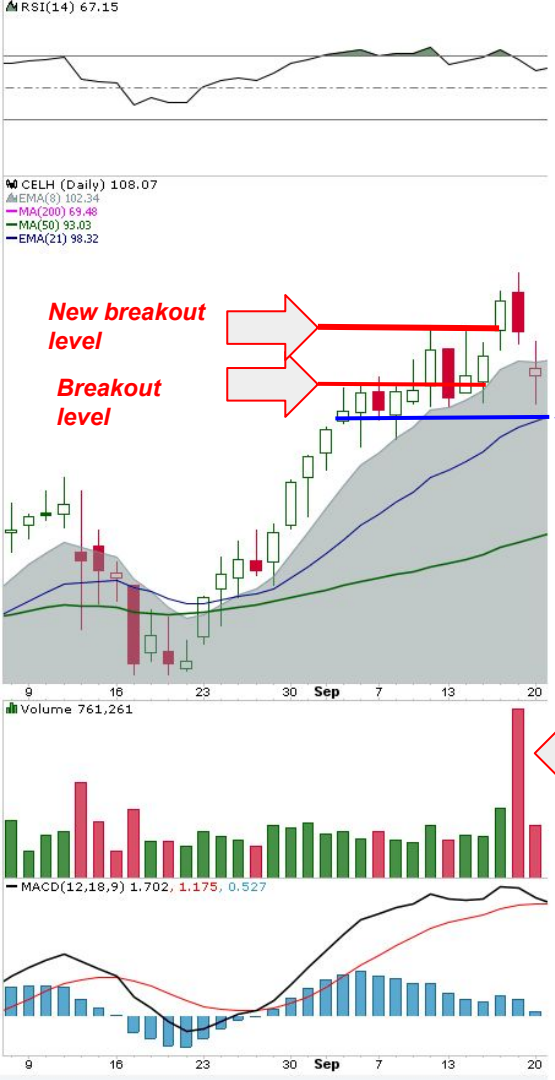
Daily close over breakout level followed by an ordinary retest of the breakout level

If I was long that stock that huge volume bar on a down day would make me really nervous. It shows selling activity of some big funds. Seems like new price level made some funds cutting their positions



Sharp decline with a gap down the following day almost hit the previous flat base and support of EMA 8

The elevated trading volume of a down day was sign that sentiment changed



Is that a good spot to go long?

Let's look at the check-list

Sharp decline with a gap down the following day almost hit the previous flat base and support of EMA 8

The elevated trading volume of a down day was sign that sentiment changed

Checklist for the long setup

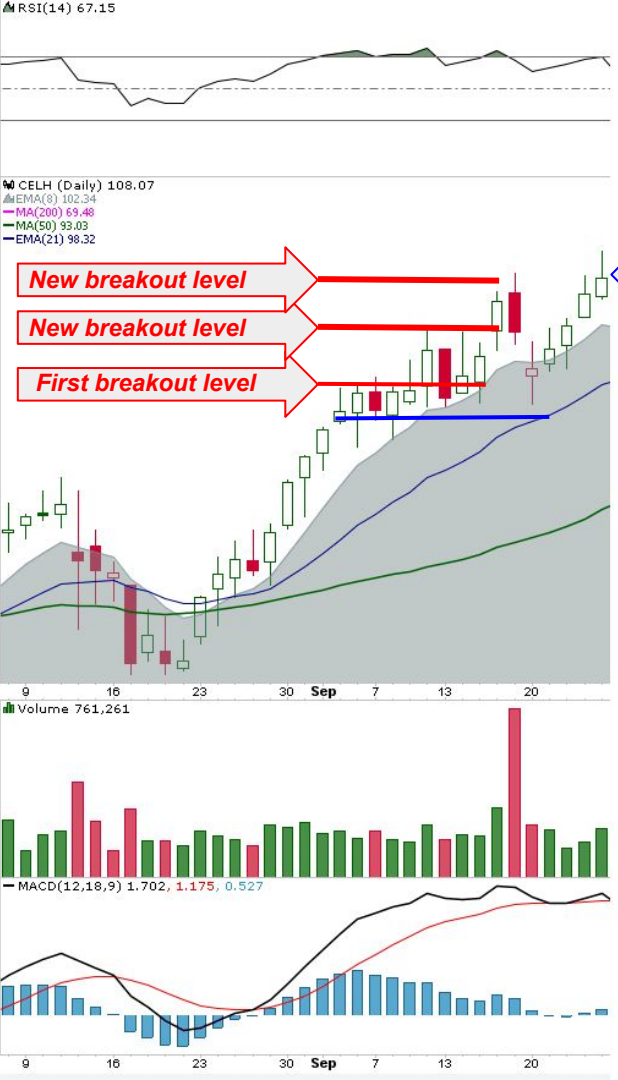
- ☑ The strength of the rally was confirmed by (i) new higher highs for the last 60 days, (ii) RSI overshooting the upper threshold at 68 level and (iii) MA50 that changed the slope up
- ☑ Price declined into support of the Green Demand channel and RSI held over support level at 40 and confirmed that the move down was corrective rather tand a strong trending move that would overshot the lower threshold at 32
- ☑ Bears were unable to push price under the Green Demand channel formed by SMA50 and EMA89
- ☑ We should prefer to buy pullbacks **that are comprised of three moves a down, bup and c down** and/or shaped as a **wedge, flag or pennant**

Was that a good spot to go long?

No, because that decline was not shaped as a-b-c or edge, pennant or flag.
You have to follow rules of your strategy

New higher high close right at the new higher breakout level

MACD made a lower high and looks like it is rolling over



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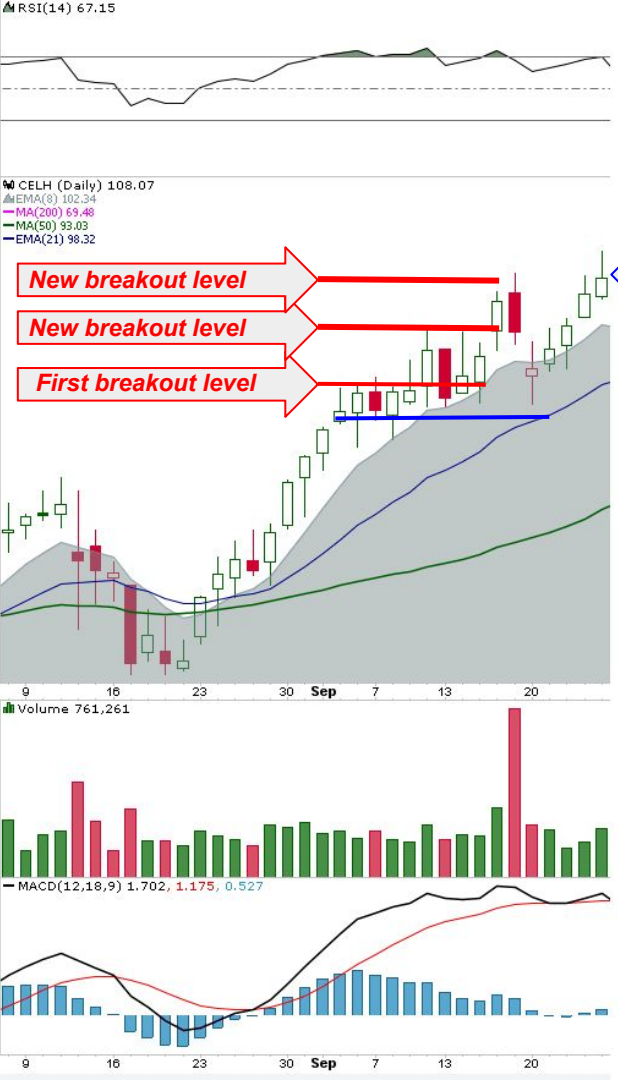
What do you do when price goes up without you?

Nothing, you never chase the price only because it started to go up again and you did not buy it because you did not have a good setup



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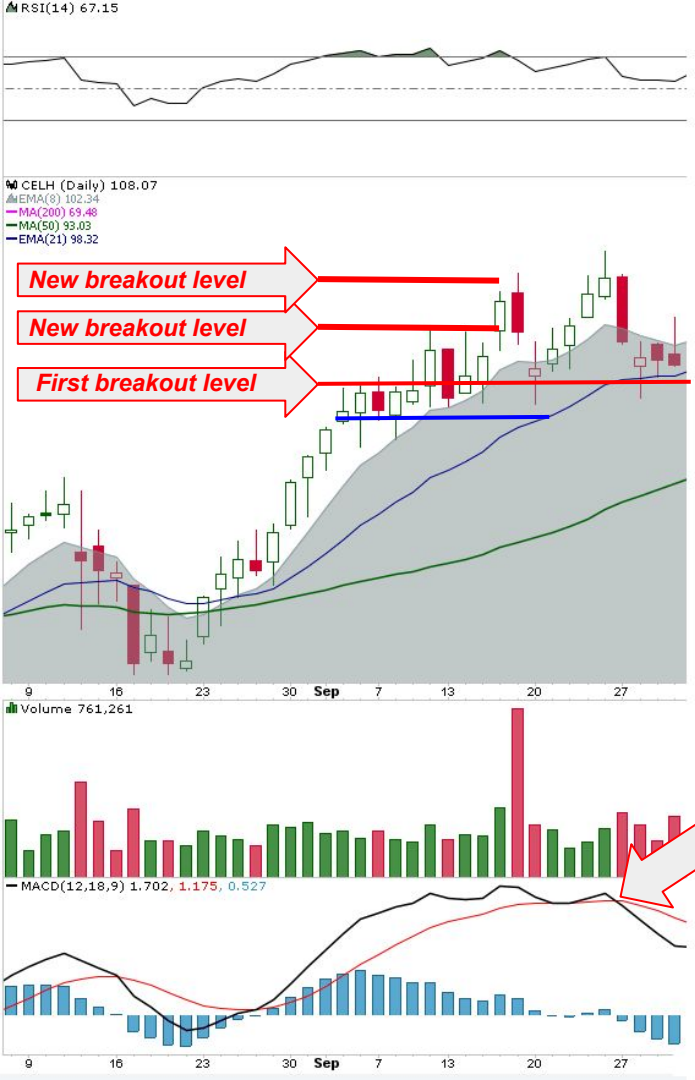


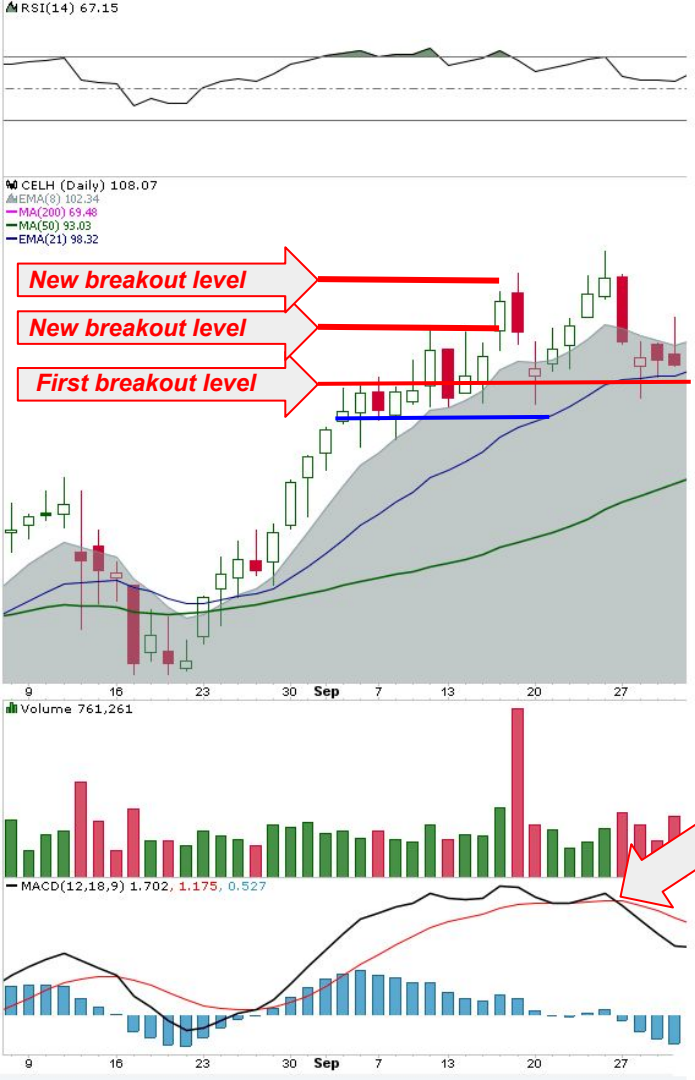
Price dropped again and re-tested the first breakout level from above

MACD rolled over

Very often after bulls manage to make a new higher high bears counterattack and push price back down to retest the immediate support.

Normally they find support at the the previous resistance

Is that a good spot to go long?



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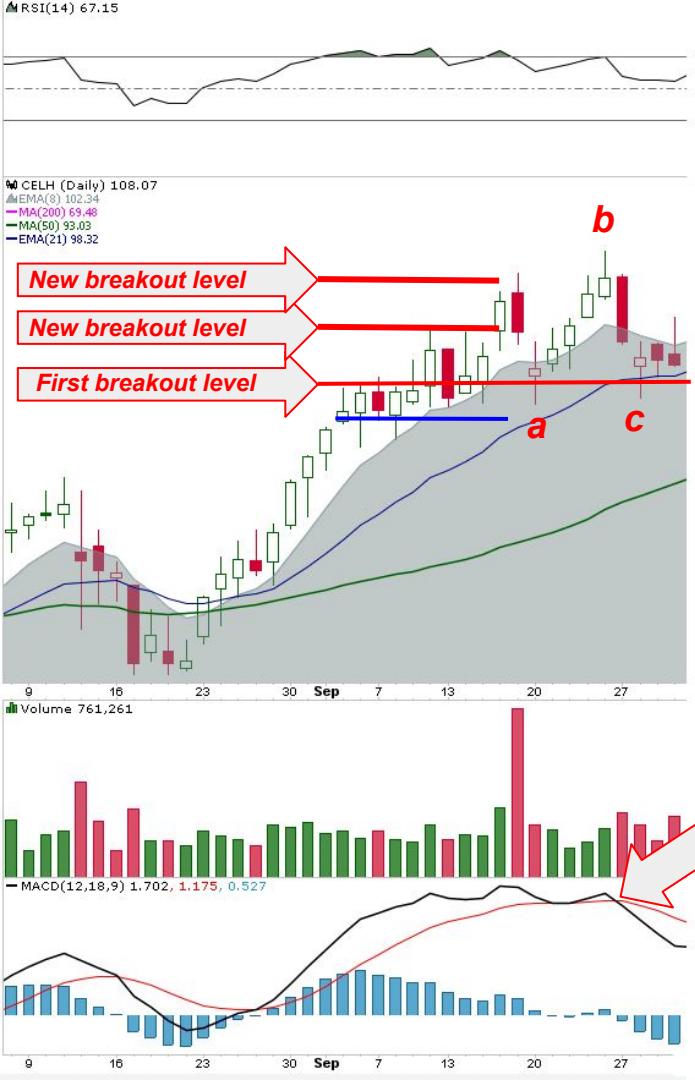

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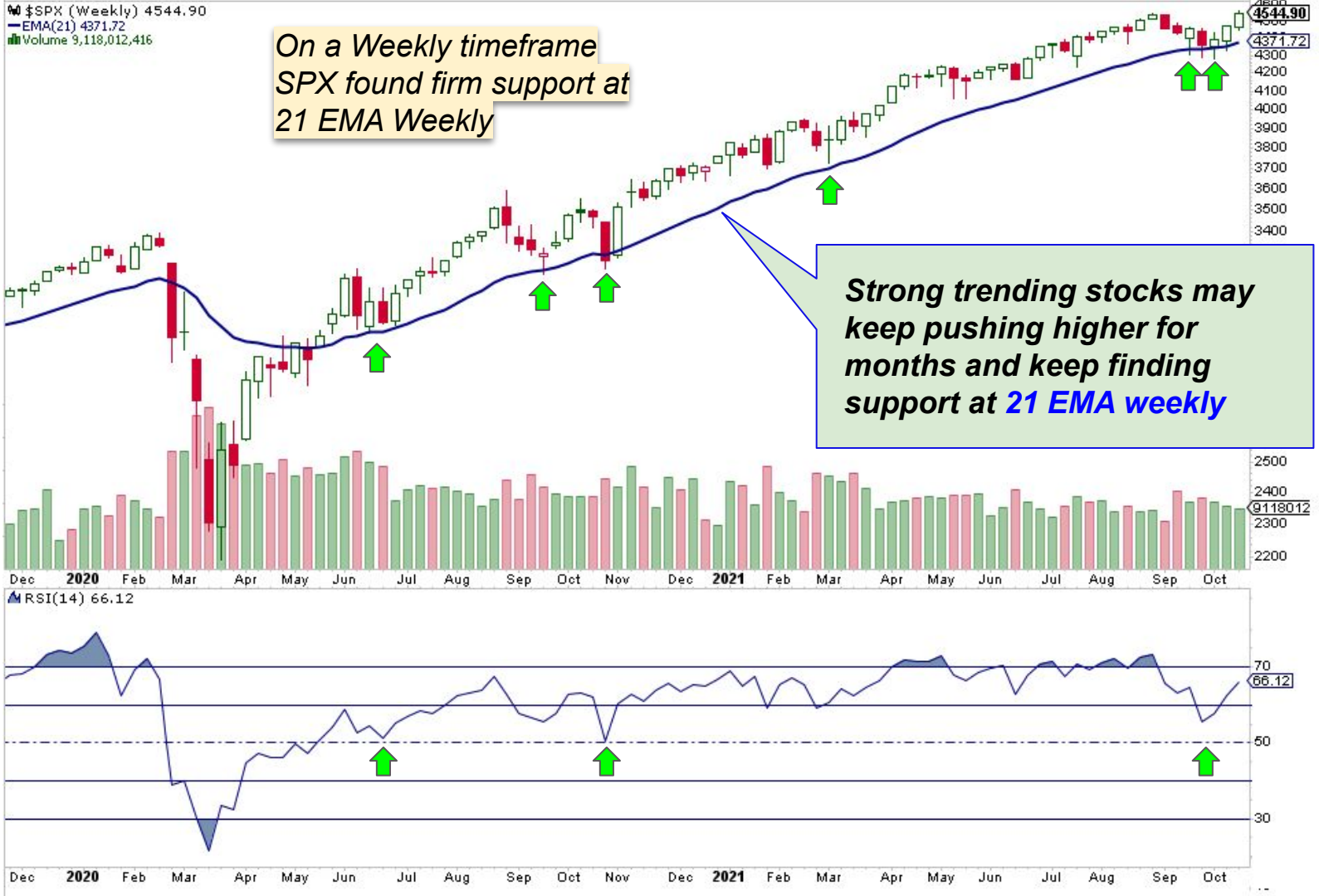
The setup looks promising because that pullback is shaped as a-b-c down into support of upward sloped 21 EMA

Price dropped again and re-tested the first breakout level from above and built a base at 21 EMA

MACD rolled over


$SPX (Weekly) 4544.90
EMA(21) 4371.72
Volume 9,118,012,416
On a Weekly timeframe SPX found firm support at 21 EMA Weekly
Strong trending stocks may keep pushing higher for months and keep finding support at 21 EMA weekly
4544.90
4371.72
4300
4200
4100
4000
3900
3800
3700
3600
3500
3400
2500
2400
9118012
2300
2200
Dec 2020 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2021 Feb Mar Apr May Jun Jul Aug Sep Oct
RSI(14) 66.12
70
66.12
50
30
Dec 2020 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2021 Feb Mar Apr May Jun Jul Aug Sep Oct

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The setup looks promising because that pullback is shaped as a-b-c down into support of upward sloped 21 EMA

Price dropped again and re-tested the first breakout level from above and built a base at 21 EMA

Many pullbacks in strong trending stocks normally find support at 21 EMA Daily

MACD rolled over

Triggers to go long

- [x] Daily Close over EMA 8 or/and
- [x] Crossover of a signal line (average with a period of 3 over 5, 34 MACD)

Is that a good spot to go long?

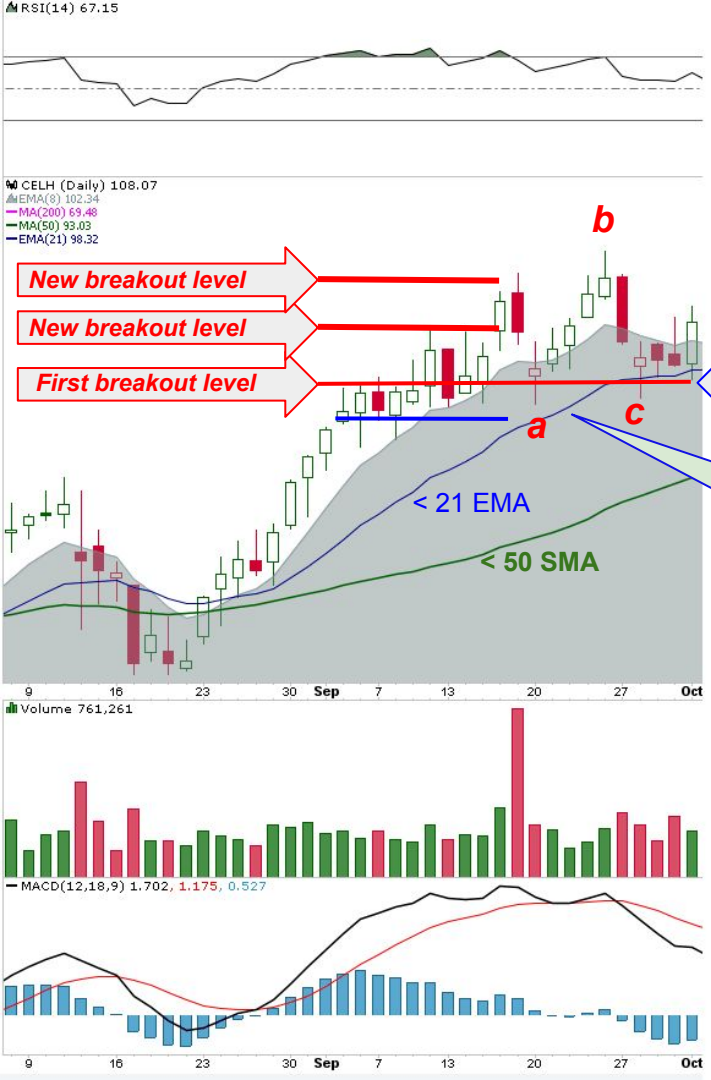
The setup looks promising because that pullback is shaped as a-b-c down into support of upward sloped 21 EMA

... but we need bulls to close a day over 8 EMA to trigger a BUY signal before we can go long!

Price dropped again and re-tested the first breakout level from above and built a base at 21 EMA

Many pullbacks in strong trending stocks normally find support at 21 EMA Daily

MACD rolled over

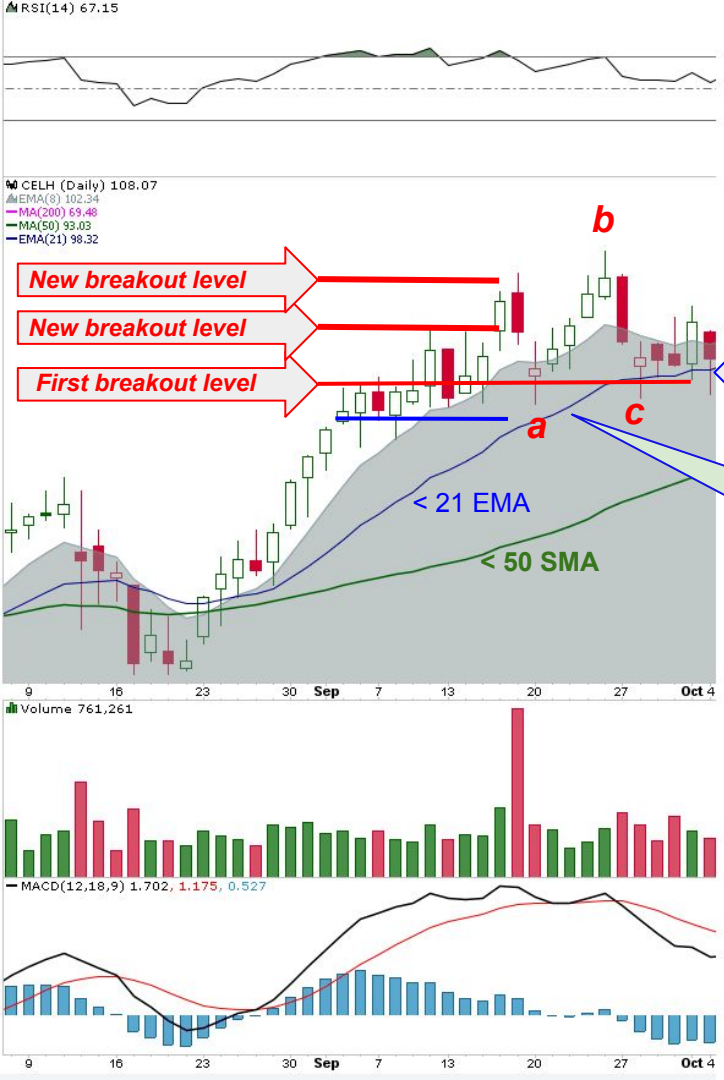


Is that a good spot to go long?

Yes, because that pullback is shaped as a-b-c down into support of upward sloped 21 EMA and ***bulls managed to close a day over 8 EMA and triggered a BUY signal.*** *We can go long here!*

Price dropped again and re-tested the first breakout level from above and built a base at 21 EMA

Many pullbacks in strong trending stocks normally find support at 21 EMA Daily



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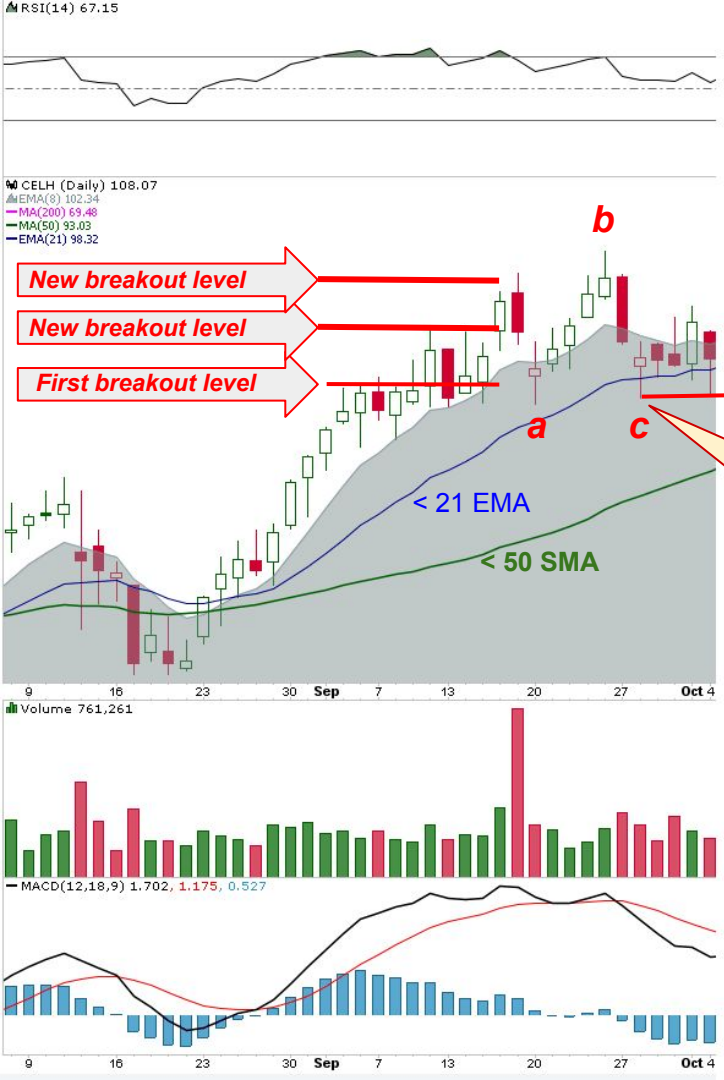
Price dropped again and re-tested the first breakout level from above and support of 21 EMA

Many pullbacks in strong trending stocks normally find support at 21 EMA Daily



Is that a good spot to go long?

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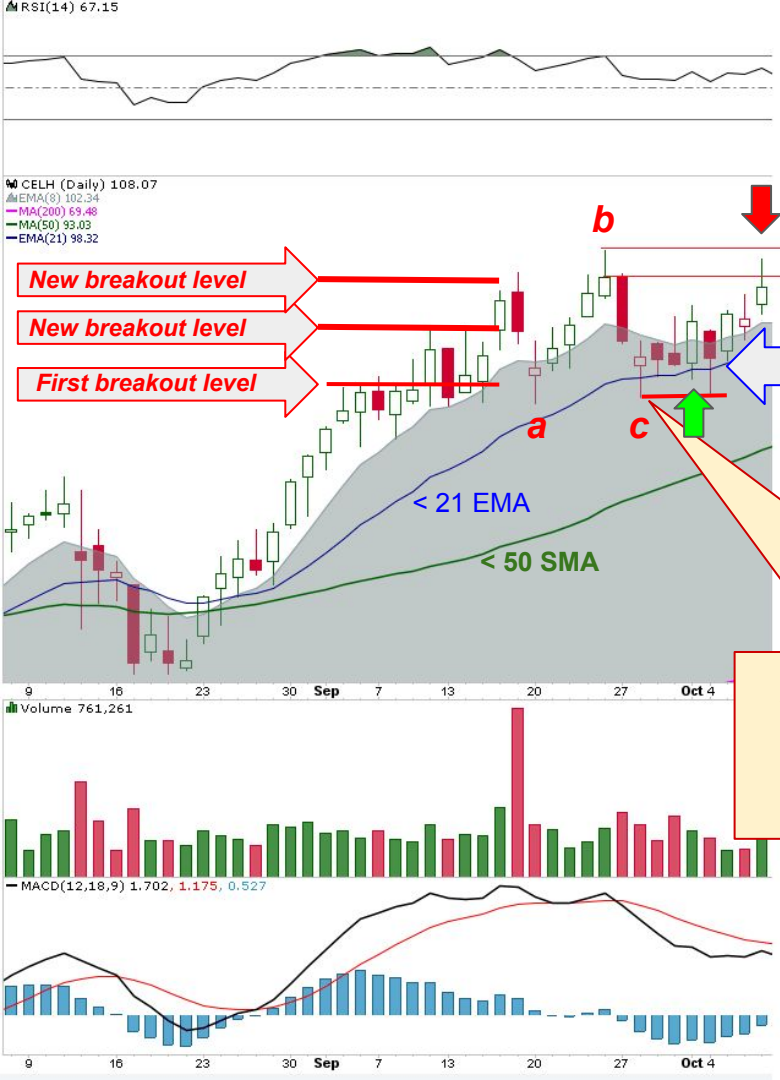
Price dropped again and re-tested support of 21 EMA

Protective stop *under the lowest low of the preceding three trading days*

Even a perfect setup may fail!

This is why it's important to set a ***protective stop*** *order. I like to set a* ***protective stop*** *under the lowest low of the preceding three trading days*



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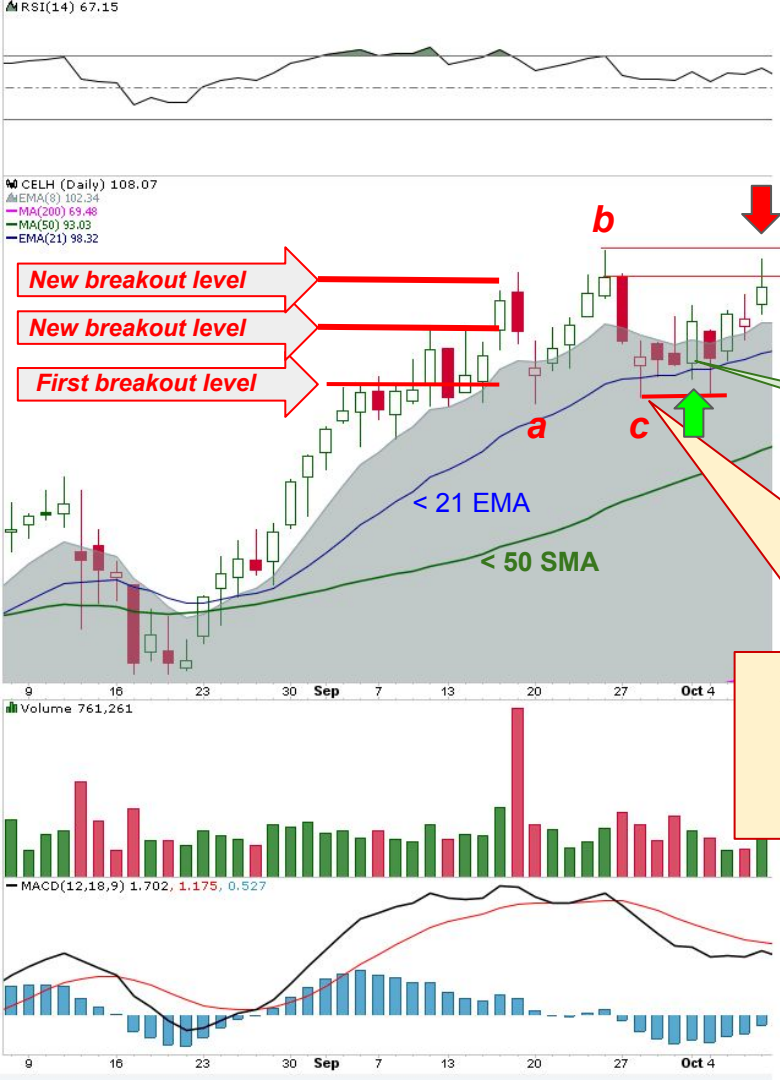
Protective stop *under the lowest low of the preceding three trading days*



4.7% gain in 4 days

Sell once price hits the Supply Zone

We exit position when price hits the supply zone.

***Long entry** when bulls manage to close a day over 8 EMA*

***Protective stop** under the lowest low of the preceding three trading days*

Read the ***Disclaimer**

Any information in this video course and attached pdf files are not to be construed as an offer to sell or the solicitation of an offer to buy, nor is it to be construed as a recommendation to buy, hold or sell (short or otherwise) any security.

Past results are not indicative of future profits.

Takeaways

Very often after bulls manage to make a new higher high bears counterattack and push price back down to retest the immediate support. This is why ***buying a breakout*** can be considered a long-term investing setup but ***can not be considered a good trading strategy.***

Normally bears quickly fade a move to a higher high and push price back down to retest the broken resistance from above. This is how a ***previously broken resistance turns into a fresh support***

Takeaways

- Many pullbacks in strong trending stocks normally find support at 21 EMA Daily.
  We should use that observation to code a new scanner “Sprinters”

Takeaways

- When we have a promising setup it's not enough to go long.
  We need to wait until bulls manage to close a daily candle over 8 Exponential Moving Average on a Daily timeframe

- **Even a perfect setup may fail!**
  This is why it's important to set a ***protective stop*** order. I like to set a protective stop under ***the lowest low of the preceding three trading days.***
  If price ***closes a day*** under that level the position has to be liquidated at loss

Takeaways

- When we have a promising setup it’s not enough to go long.
  We need to wait until bulls manage to close a daily candle over 8 Exponential Moving Average on a Daily timeframe